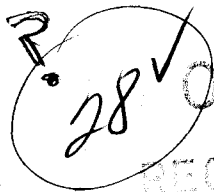


WILLIAM A. M  
CHAIRMAN  
JIM IRVIN  
COMMISSION  
MARC SPITZER  
COMMISSIONER



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EXECUTIVE SECRETARY

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March 5, 2001

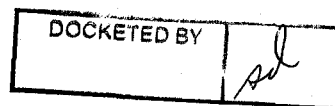
Chairman William A. Mundell  
Commissioner Jim Irvin  
1200 W. Washington  
Phoenix, AZ 85007

Arizona Corporation Commission

DOCKETED

MAR 05 2001

RE: Qwest Proposed Rate Case Settlement  
Docket No. T-01051B-99-0105



Dear Colleagues:

This is my response to Chairman Mundell's letter of March 1, 2001 regarding the proposed settlement for Qwest scheduled for the March 7, 2001 Open Meeting calendar. I share the Chairman's reservations that the Staff/Qwest settlement, amended by the Hearing Officer's Proposed Opinion and Order (the "Settlement"), may not be the optimal result for Arizona consumers. However, I believe the record in this case affords the Commission the opportunity to consider and perhaps amend the Settlement to resolve this issue on the March 7 calendar and that an appropriate resolution is the best result for Arizona consumers in the long run.

Some of the issues raised by the Chairman can be directly addressed by reference to the record in this case (Items 3, 5 and 6) and amendments can be considered. Issue 4 is critical, is referenced in the Settlement, and has been dealt with directly by the Commission in prior dockets as part of the "quality of service" mandate. Enforcement of existing Commission orders is an imperative. Issue 2 reflects an inherent defect in rate of return regulation—a full rate case will always result in an Order based upon dated financials. I am personally more interested in forward-looking economic data as a means to achieve the best regulation possible.

Issues 1, 3 and 7 pose philosophical questions. Any "negotiated" settlement, even one supported by all parties, will compromise competing interests in a manner other than as a strict accounting exercise and yet may yield a better result for consumers. Moreover, in this case the Federal Telecommunications Act of 1996 dictates a competitive market for services designed to give consumers choices based upon price and quality of service. The process adopted by the Commission Staff resulting in the October 20, 2000 Settlement Agreement reflects an effort to balance competing interests and promote the competitive market mandated by Congress. Although I share Commissioner Mundell's reservations with specific important details of the

March 5, 2001

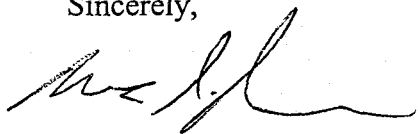
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Settlement, I approve of the process undertaken by the Commission, which as you know preceded my tenure on the Commission.

Finally, Issue 3 raises a difficult question I have not yet myself resolved. I believe stability and predictability are crucial aspects of good regulation. In the judicial context, stare decisis reflects the view that established precedents should be reversed only with care and after due consideration of the consequences that changes in law impose on society. I may take issue with the Commission's decision in the depreciation docket. However, even if I would have voted differently on an issue prior to my tenure on the Commission, Commission Orders must be accorded appropriate respect and should be reversed, particularly where there is a change in the membership of the body, only after reflection upon the broader policy and judicial considerations discussed only briefly herein.

I look forward to a vigorous and thoughtful debate on the Settlement to the benefit of Arizona consumers.

Sincerely,

A handwritten signature in dark ink, appearing to read 'M. Spitzer', with a long, sweeping horizontal line extending to the right.

Marc Spitzer  
Commissioner